

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

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SUBJECT: Credit Enhancement Program  
Activity Status Report

ITEM NUMBER: 14

ATTACHMENT(S): 2

ACTION: \_\_\_\_\_

DATE OF MEETING: July 10, 2002

INFORMATION: X

PRESENTER(S): Jean Kushida Uda

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CalSTRS underwrote or is underwriting several credit enhancement transactions this month:

(1) CalSTRS underwrote a new letter of credit (LOC) to support an existing bond issue for the Public Policy Institute of California (PPIC). This is a direct risk transaction whereby CalSTRS and its partner financial institution, replaced another financial institution. CalSTRS and its partner financial institution each underwrote a commitment of \$16.95 million, for a total commitment of \$33.9 million. This is a several and not joint relationship. The letter of credit will be for five years.

PPIC was founded in 1994 as a private, nonprofit organization dedicated to independent, objective and nonpartisan research on California's economic, political, and social issues. PPIC's primary objective and purpose is to raise public awareness of issues and to give elected and other policymakers a more informed, independent basis for making policy decisions. PPIC is rated AA by Standard & Poor's.

The original bonds were issued in November 2001. The bond proceeds were used to purchase an eight-story office building in downtown San Francisco and fund costs for upgrading, remodeling, and repairing the building. PPIC occupies part of the building and leases the remainder of the building. The CalSTRS' replacement letter of credit closed the end of May.

(2) CalSTRS underwrote a \$5.1 million confirming LOC in support of new bond issue for the California Infrastructure and Economic Development Bank for the Reed Leasing Group in Stockton. CalSTRS will be backing a California-based bank, and CalSTRS will be in a second loss position. The confirming LOC will be for three years.

The borrower, Reed Leasing Group provides pavement contracting services. Bond proceeds will be used to acquire land in the city of Stockton, construct a concrete batch plant, a shop, office facility, and purchase new equipment. The project is located in a State-designated enterprise zone. The bond issue closed in June.

(3) CalSTRS and its financial partner underwrote a substitute LOC for the Lewis and Clark College 2000 bonds for \$27.3 million each and entered into a new LOC for the Lewis and Clark College 2002 bonds for \$10.20 million each. Originally, CalSTRS and CIBC underwrote the LOC on the 2000 bonds. The new financial institution will replace CIBC, and CalSTRS will remain in the LOC. These are direct risk transactions and are in a several and not joint relationship. The letters of credit will be for three years.

Both the 2000 and 2002 bond financings are part of the college's master capital improvement plan, which includes the renovation and addition to the Law Library; acquisition of real estate; construction of a new Social Science Hall, additional student housing, new student center and surrounding infrastructure. All of the projects are on budget and on schedule. The college is located in Portland, Oregon. The bond issues will close the end of June.

(4) CalSTRS will underwrite a line of credit for a new bond transaction for the California Infrastructure and Economic Development Bank for the RAND Corporation. CalSTRS will partner with a bond insurer, who will insure the bonds. The total bond commitment is \$98.6 million. CalSTRS will underwrite \$48 million and another financial institution will underwrite the balance. This will be a several and not joint relationship. The line of credit will be for three years.

The RAND Corporation is a nonprofit public benefit corporation whose stated purpose is to further and promote scientific, educational and charitable purposes, all for the public welfare and security of the United States. Bond proceeds will be used to construct and equip a new headquarters building located in Santa Monica. The bond issue will close the end of June.

(5) CalSTRS will underwrite a confirming letter of credit in support of a bond issue for the city of West Covina. CalSTRS will be backing a California-based bank, and CalSTRS will be in the second loss position. The bond issue is for \$26 million and will be used to refinance the city's existing fixed rate bonds and provide new money for a park and recreation center at the West Covina Civic Center. The confirming letter of credit will be for three years. The bond issue will close the end of June.

| Transaction                  | LOC # | Type      | Closing Date | End of Commitment | Principal Commitment | Interest Commitment | Total Commitment     | Fiscal 2001-02 Fee Income | Fee Income To Date |
|------------------------------|-------|-----------|--------------|-------------------|----------------------|---------------------|----------------------|---------------------------|--------------------|
| <b>DIRECT RISK</b>           |       |           |              |                   |                      |                     |                      |                           |                    |
| Port of Long Beach           | --    | Liquidity | Jul-01       | Jul-06            | \$87,500,000         | \$0                 | \$87,500,000         | \$157,068                 | \$668,927          |
| LA Fairplex                  | 34    | Credit    | Sep-00       | Sep-07            | \$19,700,000         | \$265,545           | \$19,965,545         | \$154,938                 | \$677,676          |
| San Diego UPD, Series A      | 20    | Credit    | Oct-97       | Oct-02            | \$27,500,000         | \$2,576,712         | \$30,076,712         | \$25,989                  | \$124,124          |
| San Diego UPD, Series B      | 21    | Credit    | Oct-97       | Oct-02            | \$22,500,000         | \$2,108,219         | \$24,608,219         | \$25,569                  | \$128,179          |
| Pasadena Parking Authority   | 41    | Credit    | Jul-01       | Jul-04            | \$7,850,000          | \$605,104           | \$8,455,104          | \$28,238                  | \$28,238           |
| Pasadena Rosebowl            | 42    | Credit    | Jul-01       | Jul-04            | \$13,850,000         | \$245,885           | \$14,095,885         | \$45,213                  | \$45,213           |
| Kern High School 1995A       | 43    | Credit    | Aug-01       | Aug-04            | \$5,800,000          | \$114,411           | \$5,914,411          | \$20,711                  | \$20,711           |
| Kern High School 1995B       | 44    | Credit    | Aug-01       | Aug-04            | \$4,425,000          | \$87,288            | \$4,512,288          | \$15,794                  | \$15,794           |
| CHFA HMRB 1999 Series P & Q  | 28a   | Liquidity | Dec-99       | Apr-04            | \$10,466,250         | \$648,908           | \$11,115,158         | \$19,730                  | \$51,120           |
| Lewis & Clark                | 32    | Credit    | Jun-00       | Jun-05            | \$25,000,000         | \$2,284,932         | \$27,284,932         | \$126,216                 | \$282,482          |
| CHFA Multi-family 2000 A & B | 36    | Liquidity | Nov-00       | Jul-05            | \$24,821,250         | \$1,538,918         | \$26,360,168         | \$71,545                  | \$81,092           |
| CHFA Multi-family 2000 C & D | 37    | Liquidity | Nov-00       | Nov-05            | \$20,558,750         | \$1,274,643         | \$21,833,393         | \$60,485                  | \$67,131           |
| Kern High School 2001        | 45    | Credit    | Aug-01       | Aug-04            | \$12,853,000         | \$301,688           | \$13,154,688         | \$43,569                  | \$43,569           |
| <b>DIRECT RISK SUBTOTAL</b>  |       |           |              |                   | <b>\$282,824,250</b> | <b>\$12,052,253</b> | <b>\$294,876,503</b> | <b>\$795,065</b>          | <b>\$2,234,256</b> |
| <b>DIRECT RISK - SECURED</b> |       |           |              |                   |                      |                     |                      |                           |                    |
| Buck Research on Aging       | 46    | Credit    | Dec-01       | Dec-06            | \$27,800,000         | \$402,148           | \$28,202,148         | \$73,482                  | \$73,482           |
| <b>BOND INSURED</b>          |       |           |              |                   |                      |                     |                      |                           |                    |
| Adventist West               | --    | Liquidity | Feb-98       | Feb-05            | \$114,500,000        | \$1,693,973         | \$116,193,973        | \$128,616                 | \$660,892          |
| CHFA 1998 Series P           | 27a   | Liquidity | Apr-99       | Dec-04            | \$9,125,000          | \$707,188           | \$9,832,188          | \$14,575                  | \$42,419           |
| CHFA 1998 Series T           | 27b   | Liquidity | Apr-99       | Dec-04            | \$4,793,750          | \$371,516           | \$5,165,266          | \$7,456                   | \$21,173           |
| CHFA 1998 Series M           | 27c   | Liquidity | Apr-99       | Dec-04            | \$15,076,000         | \$1,168,390         | \$16,244,390         | \$27,243                  | \$82,952           |
| CHFA 1999 Series O           | 28b   | Liquidity | Dec-99       | Apr-04            | \$18,948,750         | \$1,468,528         | \$20,417,278         | \$33,432                  | \$81,852           |
| CHFA 2000 Series C           | 29a   | Liquidity | Jan-00       | Apr-04            | \$10,625,000         | \$658,750           | \$11,283,750         | \$18,305                  | \$39,869           |
| CHFA 2000 Series D           | 29b   | Liquidity | Jan-00       | Apr-04            | \$19,887,500         | \$1,541,281         | \$21,428,781         | \$34,953                  | \$78,562           |
| CHFA 2000 Series G           | 29c   | Liquidity | Apr-00       | Apr-04            | \$17,433,750         | \$1,080,893         | \$18,514,643         | \$30,041                  | \$59,773           |
| CHFA 2000 Series H           | 29d   | Liquidity | Apr-00       | Apr-04            | \$28,132,500         | \$2,180,269         | \$30,312,769         | \$49,416                  | \$100,912          |
| CHFA 2000 Series J, L, N     | 29e   | Liquidity | May-00       | May-03            | \$30,091,250         | \$2,332,072         | \$32,423,322         | \$52,451                  | \$97,981           |
| CHFA 2000 Series K           | 29f   | Liquidity | May-00       | May-03            | \$29,376,250         | \$3,794,432         | \$33,170,682         | \$54,646                  | \$101,619          |
| CHFA 2000 Series U           | 35    | Liquidity | Oct-00       | Oct-03            | \$9,748,750          | \$745,178           | \$10,493,928         | \$18,190                  | \$27,057           |
| CHFA 2000 Series X-1 & X-2   | 38    | Liquidity | Dec-00       | Dec-03            | \$14,246,250         | \$1,088,960         | \$15,335,210         | \$26,416                  | \$34,384           |
| CHFA 2001 Series C           | 39a   | Liquidity | Jan-01       | Jan-06            | \$3,017,500          | \$230,653           | \$3,248,153          | \$3,704                   | \$4,596            |
| CHFA 2001 Series F           | 39b   | Liquidity | Apr-01       | Apr-03            | \$6,250,000          | \$477,740           | \$6,727,740          | \$6,072                   | \$6,072            |
| Fremont-Rideout Health Group | --    | Liquidity | May-02       | Jul-07            | \$25,000,000         | \$558,904           | \$25,558,904         | \$0                       | \$0                |
| <b>BOND INSURED SUBTOTAL</b> |       |           |              |                   | <b>\$356,252,250</b> | <b>\$20,098,727</b> | <b>\$376,350,977</b> | <b>\$505,516</b>          | <b>\$1,440,113</b> |

| Transaction                                  | LOC # | Type   | Closing Date | End of Commitment | Principal Commitment | Interest Commitment | Total Commitment    | Fiscal 2001-02 Fee Income | Fee Income To Date |
|--|-------|--------|--------------|-------------------|----------------------|---------------------|---------------------|---------------------------|--------------------|
| <b>DIRECT PAY LETTERS OF CREDIT</b>          |       |        |              |                   |                      |                     |                     |                           |                    |
| APM, Inc. Series 1994A                       | 25    | Credit | Aug-99       | Jul-04            | \$450,000            | \$10,060            | \$460,060           | \$2,097                   | \$8,963            |
| Altamont/Pkging Series 1994A                 | 25    | Credit | Aug-99       | Jul-04            | \$2,425,000          | \$54,214            | \$2,479,214         | \$5,182                   | \$18,791           |
| DV Packaging/La Barbera                      | 25    | Credit | Sep-99       | Aug-04            | \$1,095,000          | \$24,480            | \$1,119,480         | \$3,209                   | \$12,787           |
| Wilson Entities                              | 24    | Credit | Sep-99       | Aug-04            | \$2,300,000          | \$51,419            | \$2,351,419         | \$5,565                   | \$19,868           |
| Tulip Corporation                            | 31    | Credit | Jul-00       | Jul-04            | \$2,200,000          | \$49,184            | \$2,249,184         | \$9,993                   | \$15,931           |
| Santa Clara 1997A (5 yr term)                | 33    | Credit | Aug-00       | Aug-06            | \$4,235,000          | \$71,009            | \$4,306,009         | \$0                       | \$18,506           |
| Propak of California                         | 1     | Credit | Nov-94       | Nov-04            | \$1,985,000          | \$44,377            | \$2,029,377         | \$7,554                   | \$74,915           |
| J. Michelle/Edie Lee                         | 1     | Credit | Nov-94       | Nov-04            | \$1,340,000          | \$29,957            | \$1,369,957         | \$4,801                   | \$70,870           |
| Pasco Scientific                             | 1     | Credit | Nov-94       | Nov-04            | \$1,805,000          | \$40,353            | \$1,845,353         | \$9,858                   | \$76,061           |
| American River Packaging                     | 1     | Credit | Nov-94       | Nov-04            | \$1,645,000          | \$36,776            | \$1,681,776         | \$6,920                   | \$53,718           |
| Intermountain Trading                        | 2     | Credit | Feb-95       | Jan-05            | \$190,000            | \$4,248             | \$194,248           | \$1,233                   | \$14,230           |
| Andercraft Products                          | 2     | Credit | Feb-95       | Jan-05            | \$550,000            | \$12,296            | \$562,296           | \$3,366                   | \$42,458           |
| Sunclipse. Inc. (Alhambra)                   | 2     | Credit | Feb-95       | Jan-05            | \$3,200,000          | \$71,540            | \$3,271,540         | \$9,223                   | \$87,296           |
| Sunclipse, Inc. (Union City)                 | 2     | Credit | Feb-95       | Jan-05            | \$2,135,000          | \$47,730            | \$2,182,730         | \$6,333                   | \$62,179           |
| Busseto Foods, Inc. (Rapelli)                | 2     | Credit | Feb-95       | Jan-05            | \$2,500,000          | \$55,890            | \$2,555,890         | \$7,324                   | \$68,793           |
| American Zettler                             | 4     | Credit | Mar-95       | Mar-05            | \$1,850,000          | \$41,359            | \$1,891,359         | \$5,747                   | \$53,150           |
| Contech Engineering Prod.                    | 4     | Credit | Mar-95       | Mar-05            | \$690,000            | \$15,426            | \$705,426           | \$4,033                   | \$34,526           |
| Evapco, Inc.                                 | 4     | Credit | Mar-95       | Mar-05            | \$315,000            | \$7,042             | \$322,042           | \$1,222                   | \$14,756           |
| Florestone Products Co.                      | 4     | Credit | Mar-95       | Mar-05            | \$940,000            | \$21,015            | \$961,015           | \$3,162                   | \$39,193           |
| Grundfos Pumps Company                       | 4     | Credit | Mar-95       | Mar-05            | \$6,000,000          | \$134,137           | \$6,134,137         | \$16,526                  | \$144,519          |
| NRI, Inc.                                    | 4     | Credit | Mar-95       | Mar-05            | \$1,135,000          | \$25,374            | \$1,160,374         | \$3,610                   | \$51,274           |
| W & H Voortman, Inc.                         | 4     | Credit | Mar-95       | Mar-05            | \$2,220,000          | \$49,631            | \$2,269,631         | \$7,598                   | \$53,793           |
| Allwire, Inc.                                | 6     | Credit | Mar-95       | Mar-05            | \$210,000            | \$4,695             | \$214,695           | \$1,647                   | \$16,677           |
| Fairway Real Estate                          | 6     | Credit | Mar-95       | Mar-05            | \$420,000            | \$9,390             | \$429,390           | \$3,098                   | \$36,548           |
| S & P Investments                            | 6     | Credit | Mar-95       | Mar-05            | \$885,000            | \$19,785            | \$904,785           | \$3,543                   | \$37,087           |
| Northwest Pipe & Casing                      | 7     | Credit | Apr-95       | Apr-05            | \$2,000,000          | \$44,712            | \$2,044,712         | \$7,455                   | \$85,553           |
| Zieman Manufacturing                         | 7     | Credit | Apr-95       | Apr-05            | \$280,000            | \$6,260             | \$286,260           | \$3,114                   | \$21,002           |
| Carvin Corporation                           | 8     | Credit | Jun-95       | Jun-04            | \$440,000            | \$9,837             | \$449,837           | \$7,418                   | \$64,662           |
| Kennerley-Spratling                          | 8     | Credit | Jun-95       | Jun-04            | \$1,935,000          | \$43,259            | \$1,978,259         | \$6,076                   | \$78,670           |
| Staub Metals, Inc.                           | 8     | Credit | Jun-95       | Jun-04            | \$255,000            | \$5,701             | \$260,701           | \$1,672                   | \$34,549           |
| Walker Spring and Stamping Corp.             | 9     | Credit | Sep-95       | Sep-04            | \$2,820,000          | \$63,044            | \$2,883,044         | \$14,076                  | \$86,730           |
| South Bay Circuits, Inc.                     | 9     | Credit | Sep-95       | Sep-04            | \$1,350,000          | \$30,181            | \$1,380,181         | \$4,444                   | \$48,543           |
| W & H Voortman, Inc.                         | 9     | Credit | Sep-95       | Sep-04            | \$840,000            | \$18,779            | \$858,779           | \$3,006                   | \$29,449           |
| Red Line Oil Co.                             | 10    | Credit | Nov-95       | Nov-04            | \$930,000            | \$20,791            | \$950,791           | \$4,799                   | \$31,938           |
| Johansen Dielectrics (JDI)                   | 10    | Credit | Nov-95       | Nov-04            | \$1,025,000          | \$22,915            | \$1,047,915         | \$5,974                   | \$56,128           |
| Peet's Coffee                                | 10    | Credit | Nov-95       | Nov-04            | \$1,300,000          | \$29,063            | \$1,329,063         | \$7,269                   | \$67,072           |
| Safariland                                   | 13    | Credit | Oct-96       | Oct-04            | \$3,000,000          | \$62,137            | \$3,062,137         | \$5,935                   | \$48,580           |
| Control Air Conditioning                     | 18    | Credit | May-97       | May-05            | \$4,200,000          | \$75,945            | \$4,275,945         | \$13,517                  | \$102,373          |
| Cordeiro Vault Co., Inc.                     | 15    | Credit | Dec-96       | Dec-04            | \$475,000            | \$10,619            | \$485,619           | \$3,187                   | \$30,557           |
| Fibrebond West, Inc.                         | 17    | Credit | Dec-96       | Dec-04            | \$3,790,000          | \$84,730            | \$3,874,730         | \$12,791                  | \$133,210          |
| <b>DIRECT PAY LETTERS OF CREDIT SUBTOTAL</b> |       |        |              |                   | <b>\$67,360,000</b>  | <b>\$1,459,360</b>  | <b>\$68,819,360</b> | <b>\$233,577</b>          | <b>\$2,045,905</b> |

| Transaction   | LOC #   | Type   | Closing Date | End of Commitment | Principal Commitment | Interest Commitment | Total Commitment | Fiscal 2001-02 Fee Income | Fee Income To Date |
|---|---------|--------|--------------|-------------------|----------------------|---------------------|------------------|---------------------------|--------------------|
| <b>CONFIRMING LETTERS OF CREDIT &amp; OTHER INDIRECT RISK</b> |         |        |              |                   |                      |                     |                  |                           |                    |
| Monrovia Redevelopment Agency                                 | CLOC 3  | Credit | Jan-98       | Jan-03            | \$8,300,000          | \$238,312           | \$8,538,312      | \$12,756                  | \$84,708           |
| Western Saw   | CLOC 6  | Credit | Jun-98       | Jun-04            | \$3,180,000          | \$47,047            | \$3,227,047      | \$3,389                   | \$28,941           |
| St. Vincent de Paul   | CLOC 7  | Credit | May-99       | May-05            | \$7,485,000          | \$110,737           | \$7,595,737      | \$33,601                  | \$89,820           |
| Delta Tau Data Systems  | CLOC 8  | Credit | Aug-98       | Aug-04            | \$5,800,000          | \$85,808            | \$5,885,808      | \$25,856                  | \$94,354           |
| Dix Metals  | CLOC 9  | Credit | Sep-98       | Sep-04            | \$5,045,000          | \$74,638            | \$5,119,638      | \$10,864                  | \$74,572           |
| City of Fillmore  | CLOC 10 | Credit | Sep-98       | Sep-04            | \$10,120,000         | \$192,973           | \$10,312,973     | \$20,912                  | \$71,847           |
| Accurate Engineering  | CLOC 12 | Credit | Oct-98       | Oct-04            | \$4,045,000          | \$59,844            | \$4,104,844      | \$6,161                   | \$38,699           |
| The Terraces/Park Marino                                      | CLOC 13 | Credit | Oct-98       | Oct-04            | \$7,775,000          | \$127,808           | \$7,902,808      | \$31,828                  | \$123,985          |
| Santa Paula (Water Supply)                                    | CLOC 14 | Credit | Nov-98       | Nov-04            | \$23,500,000         | \$448,110           | \$23,948,110     | \$48,561                  | \$158,281          |
| Mission Viejo   | CLOC 15 | Credit | May-99       | May-06            | \$31,100,000         | \$2,177,853         | \$33,277,853     | \$83,888                  | \$276,622          |
| City of Fillmore  | CLOC 16 | Credit | Mar-99       | Jun-05            | \$7,345,000          | \$137,643           | \$7,482,643      | \$0                       | \$48,305           |
| City of Ontario   | CLOC 17 | Credit | Apr-99       | Apr-05            | \$8,020,000          | \$147,656           | \$8,167,656      | \$16,335                  | \$58,542           |
| City of Ontario   | CLOC 18 | Credit | Apr-99       | Apr-05            | \$6,430,000          | \$116,268           | \$6,546,268      | \$13,093                  | \$46,618           |
| Watt Four   | CLOC 19 | Credit | May-99       | May-05            | \$2,630,000          | \$44,098            | \$2,674,098      | \$5,437                   | \$31,135           |
| Evergreen   | CLOC 20 | Credit | Jun-99       | Jun-04            | \$2,303,750          | \$34,083            | \$2,337,833      | \$6,007                   | \$22,857           |
| Fontana Redevelopment   | CLOC 21 | Credit | Jun-99       | Jun-04            | \$3,114,361          | \$0                 | \$3,114,361      | \$18,686                  | \$25,001           |
| New United Motor (NUMMI)                                      | CLOC 22 | Credit | Jun-99       | May-03            | \$11,015,000         | \$130,369           | \$11,145,369     | \$39,551                  | \$99,797           |
| Inland  | CLOC 23 | Credit | Jun-99       | Jun-04            | \$44,485,000         | \$2,925,042         | \$47,410,042     | \$71,642                  | \$288,148          |
| Alameda Point   | CLOC 26 | Credit | Sep-99       | Sep-04            | \$10,000,000         | \$391,233           | \$10,391,233     | \$31,520                  | \$58,422           |
| Apple Valley  | CLOC 27 | Credit | Sep-99       | Sep-04            | \$5,325,000          | \$208,332           | \$5,533,332      | \$11,159                  | \$34,094           |
| Primero Grove   | CLOC 28 | Credit | Dec-99       | Dec-04            | \$11,715,000         | \$112,336           | \$11,827,336     | \$56,180                  | \$116,056          |
| Starter/Alternator  | CLOC 29 | Credit | Sep-99       | Sep-04            | \$5,000,000          | \$73,973            | \$5,073,973      | \$5,159                   | \$28,612           |
| Adelanto PUA, Series A  | CLOC 30 | Credit | Feb-00       | Feb-05            | \$9,385,000          | \$166,616           | \$9,551,616      | \$4,864                   | \$34,153           |
| Adelanto PUA, Series B, C                                     | CLOC 30 | Credit | Feb-00       | Feb-05            | \$34,940,000         | \$620,305           | \$35,560,305     | \$17,978                  | \$126,239          |
| San Francisco Conservatory of Music                           | CLOC 31 | Credit | Mar-00       | Mar-05            | \$10,000,000         | \$170,959           | \$10,170,959     | \$30,937                  | \$92,810           |
| Oakland-Alameda Cnty Coliseum                                 | STRS 30 | Credit | May-00       | May-03            | \$51,200,000         | \$942,641           | \$52,142,641     | \$104,285                 | \$227,612          |
| City of Compton   | CLOC 33 | Credit | Jun-00       | Jun-04            | \$6,000,000          | \$114,411           | \$6,114,411      | \$0                       | \$12,229           |
| Marborg Industries (Term 2 yrs)                               | CLOC 34 | Credit | Jun-00       | Jun-03            | \$5,425,000          | \$82,044            | \$5,507,044      | \$0                       | \$15,257           |
| AAA Packing & Shipping Inc.                                   | CLOC 35 | Credit | Jun-00       | Jun-04            | \$3,000,000          | \$44,384            | \$3,044,384      | \$6,173                   | \$12,867           |
| City of Lake Elsinore   | CLOC 36 | Credit | Jul-00       | Jul-05            | \$15,660,000         | \$288,316           | \$15,948,316     | \$32,129                  | \$80,948           |
| City of Duarte  | CLOC 37 | Credit | Apr-01       | Apr-05            | \$6,000,000          | \$110,466           | \$6,110,466      | \$0                       | \$12,221           |
| City of Vallejo   | CLOC 38 | Credit | May-01       | May-05            | \$16,350,000         | \$311,770           | \$16,661,770     | \$0                       | \$33,324           |
| Megatoys  | CLOC 40 | Credit | Jun-01       | Jun-06            | \$3,000,000          | \$54,247            | \$3,054,247      | \$0                       | \$12,217           |
| Oakland-Alameda Arena   | STRS 40 | Credit | Jul-01       | Jul-04            | \$42,300,000         | \$2,347,650         | \$44,647,650     | \$67,151                  | \$67,151           |
| Beaumont Wastewater   | CLOC 41 | Credit | Aug-01       | Aug-04            | \$9,790,000          | \$177,025           | \$9,967,025      | \$19,580                  | \$19,580           |
| Advance Business Graphics                                     | CLOC 42 | Credit | Aug-01       | Aug-04            | \$6,050,000          | \$89,507            | \$6,139,507      | \$14,581                  | \$14,581           |
| Santa Clara 2001A   | CLOC 43 | Credit | Oct-01       | Oct-04            | \$7,560,000          | \$111,847           | \$7,671,847      | \$26,694                  | \$26,694           |
| The Ratto Group   | CLOC 44 | Credit | Nov-01       | Nov-04            | \$9,845,000          | \$145,652           | \$9,990,652      | \$34,749                  | \$34,749           |
| City of Montebello  | CLOC 45 | Credit | Dec-01       | Dec-04            | \$8,750,000          | \$163,973           | \$8,913,973      | \$17,828                  | \$17,828           |
| Plastikon Industries Project                                  | CLOC 46 | Credit | Jan-02       | Jan-05            | \$6,500,000          | \$230,795           | \$6,730,795      | \$23,558                  | \$23,558           |
| City of Sanger  | CLOC 47 | Credit | Mar-02       | Mar-05            | \$16,590,000         | \$327,255           | \$16,917,255     | \$34,304                  | \$34,304           |
| Las Palomas   | CLOC 48 | Credit | Apr-02       | Apr-05            | \$5,100,000          | \$78,200            | \$5,178,200      | \$12,946                  | \$12,946           |

| Transaction   | LOC #   | Type   | Closing Date | End of Commitment | Principal Commitment   | Interest Commitment | Total Commitment       | Fiscal 2001-02 Fee Income | Fee Income To Date  |
|---|---------|--------|--------------|-------------------|------------------------|---------------------|------------------------|---------------------------|---------------------|
| Madera Municipal Golf Course                                      | CLOC 49 | Credit | May-02       | May-05            | \$5,140,000            | \$167,578           | \$5,307,578            | \$10,763                  | \$10,763            |
| California Waste Solutions, Inc.                                  | CLOC 51 | Credit | May-02       | May-05            | \$11,275,000           | \$169,125           | \$11,444,125           | \$46,165                  | \$46,165            |
| <b>CONFIRMING LETTERS OF CREDIT &amp; OTHER INDIRECT RISK SUB</b> |         |        |              |                   | <b>\$513,593,111</b>   | <b>\$14,798,929</b> | <b>\$528,392,040</b>   | <b>\$1,057,270</b>        | <b>\$2,867,612</b>  |
| <b>REDEEMED TRANSACTIONS</b>                                      |         |        |              |                   |                        |                     |                        |                           |                     |
| <b>REDEEMED SUBTOTAL</b>  |         |        |              |                   | <b>\$0</b>             | <b>\$0</b>          | <b>\$0</b>             | <b>\$299,727</b>          | <b>\$3,085,233</b>  |
| <b>GRAND TOTAL</b>  |         |        |              |                   | <b>\$1,247,829,611</b> | <b>\$48,811,417</b> | <b>\$1,296,641,028</b> | <b>\$2,964,637</b>        | <b>\$11,746,601</b> |

**CalSTRS CREDIT ENHANCEMENT PROGRAM**  
CREDIT ENHANCEMENT EXPOSURE  
PROGRAM SUMMARY AS OF MAY 31, 2002

**Attachment 2**  
**Investment Committee - Item 14**  
**July 10, 2002**

| Borrower                        | Financial Institution | Principal<br>Commitment | Interest<br>Commitment | Total<br>Commitment  | Portfolio<br>Percentage | Moody's<br>Rating | S&P<br>Rating |
|---------------------------------|-----------------------|-------------------------|------------------------|----------------------|-------------------------|-------------------|---------------|
| <b>DIRECT RISK *</b>            |                       |                         |                        |                      |                         |                   |               |
| Port of Long Beach              | (Dexia)               | \$87,500,000            | \$0                    | \$87,500,000         | 6.75%                   | Aa3               | AA-           |
| San Diego Unified Port District | (CIBC)                | \$27,500,000            | \$2,576,712            | \$30,076,712         | 2.32%                   | A1                | A+            |
| Buck Research Center on Aging   | (Bank of New York)    | \$27,800,000            | \$402,148              | \$28,202,148         | 2.18%                   | not rated         | not rated     |
| Lewis & Clark                   | (CIBC)                | \$25,000,000            | \$2,284,932            | \$27,284,932         | 2.10%                   | not rated         | not rated     |
| CHFA 2000 Multi-family A & B    | (Helaba Bank)         | \$24,821,250            | \$1,538,918            | \$26,360,168         | 2.03%                   | Aa3               | AA-           |
| San Diego Unified Port District | (CIBC)                | \$22,500,000            | \$2,108,219            | \$24,608,219         | 1.90%                   | A1                | A+            |
| CHFA 2000 Multi-family C & D    | (Helaba Bank)         | \$20,558,750            | \$1,274,643            | \$21,833,393         | 1.68%                   | Aa3               | AA-           |
| LA Fairplex                     | (Allied Irish Bank)   | \$19,700,000            | \$265,545              | \$19,965,545         | 1.54%                   | not rated         | not rated     |
| Pasadena Rose Bowl              | (Bank of New York)    | \$13,850,000            | \$245,885              | \$14,095,885         | 1.09%                   | A2                | A+            |
| Kern High School 2001           | (Bank of New York)    | \$12,853,000            | \$301,688              | \$13,154,688         | 1.01%                   | A2                | not rated     |
| CHFA HMRB 1999 Series P & Q     | (Commerzbank)         | \$10,466,250            | \$648,908              | \$11,115,158         | 0.86%                   | Aa2               | AA-           |
| Pasadena Parking Authority      | (Bank of New York)    | \$7,850,000             | \$605,104              | \$8,455,104          | 0.65%                   | A2                | A+            |
| Kern High School 1995A          | (Bank of New York)    | \$5,800,000             | \$114,411              | \$5,914,411          | 0.46%                   | A2                | not rated     |
| Kern High School 1995B          | (Bank of New York)    | \$4,425,000             | \$87,288               | \$4,512,288          | 0.35%                   | A2                | not rated     |
| <b>TOTAL - DIRECT RISK</b>      |                       | <b>\$310,624,250</b>    | <b>\$12,454,401</b>    | <b>\$323,078,651</b> | <b>25%</b>              |                   |               |

*\* These are direct risk transactions. The obligations of CalSTRS and the partner financial institutions are several and not joint. CalSTRS is not responsible for the obligation of the partner financial institution.*

**CalSTRS CREDIT ENHANCEMENT PROGRAM**

CREDIT ENHANCEMENT EXPOSURE  
PROGRAM SUMMARY AS OF MAY 31, 2002

**Attachment 2**  
**Investment Committee - Item 14**  
**July 10, 2002**

| Borrower   | Financial Institution      | Principal<br>Commitment | Interest<br>Commitment | Total<br>Commitment    | Portfolio<br>Percentage | Moody's<br>Rating                  | S&P<br>Rating                      |
|--|----------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------------------|------------------------------------|
| <b>INDIRECT RISK &amp; FINANCIAL INSTITUTION EXPOSURE **</b> |                            |                         |                        |                        |                         |                                    |                                    |
| Various borrowers  | Union Bank of California   | \$345,464,335           | \$10,521,720           | \$355,986,055          | 27.45%                  | A1                                 | A-                                 |
| Various borrowers  | FSA                        | \$161,935,000           | \$13,614,498           | \$175,549,498          | 13.54%                  | Aaa                                | AAA                                |
| Various borrowers  | MBIA                       | \$145,574,750           | \$4,085,281            | \$149,660,031          | 11.54%                  | Aaa                                | AAA                                |
| Various borrowers  | AMBAC                      | \$48,742,500            | \$2,398,948            | \$51,141,448           | 3.94%                   | Aaa                                | AAA                                |
| Various borrowers  | Sumitomo Mitsui            | \$42,300,000            | \$2,347,650            | \$44,647,650           | 3.44%                   | A3                                 | BBB+                               |
| Various borrowers  | City National Bank         | \$30,290,000            | \$463,388              | \$30,753,388           | 2.37%                   | A3 <sup>1</sup> / Aaa <sup>2</sup> | BBB <sup>+</sup> / AA <sup>A</sup> |
| Various borrowers  | The Sakura Bank, Ltd.      | \$23,600,026            | \$434,499              | \$24,034,525           | 1.85%                   | A3                                 | BBB+                               |
| Various borrowers  | United California Bank     | \$22,990,000            | \$397,158              | \$23,387,158           | 1.80%                   | A2                                 | BBB+                               |
| Various borrowers  | Bank of America            | \$14,910,000            | \$328,399              | \$15,238,399           | 1.18%                   | Aa1                                | AA-                                |
| Various borrowers  | Tokai Bank of California   | \$11,715,000            | \$112,336              | \$11,827,336           | 0.91%                   | A3                                 | BBB                                |
| Various borrowers  | East West Bank             | \$11,275,000            | \$169,125              | \$11,444,125           | 0.88%                   | A1                                 | A+                                 |
| Various borrowers  | Bank of Tokyo-Mitsubishi   | \$11,015,000            | \$130,369              | \$11,145,369           | 0.86%                   | A2                                 | A-                                 |
| Various borrowers  | Westamerica Bancorp        | \$9,845,000             | \$145,652              | \$9,990,652            | 0.77%                   | Aaa <sup>3</sup>                   | AAA <sup>3</sup>                   |
| Various borrowers  | Wells Fargo Bank           | \$8,675,000             | \$193,940              | \$8,868,940            | 0.68%                   | Aa1                                | AA-                                |
| Various borrowers  | General Bank               | \$8,300,000             | \$238,312              | \$8,538,312            | 0.66%                   | Aaa <sup>3</sup>                   | AAA <sup>3</sup>                   |
| Various borrowers  | Pacific Century Bank, N.A. | \$8,180,000             | \$121,020              | \$8,301,020            | 0.64%                   | Aaa <sup>3</sup>                   | AAA <sup>3</sup>                   |
| Various borrowers  | Unibank                    | \$6,000,000             | \$134,137              | \$6,134,137            | 0.47%                   | Aa3                                | A+                                 |
| Various borrowers  | Santa Barbara Bank & Trust | \$5,425,000             | \$82,044               | \$5,507,044            | 0.42%                   | Aaa <sup>3</sup>                   | AAA <sup>3</sup>                   |
| Various borrowers  | Hibernia National Bank     | \$3,790,000             | \$84,730               | \$3,874,730            | 0.30%                   | A3                                 | BBB+                               |
| Various borrowers  | Comerica Bank - California | \$3,850,000             | \$86,071               | \$3,936,071            | 0.30%                   | A1                                 | A                                  |
| Various borrowers  | Bank of Nova Scotia        | \$3,060,000             | \$68,410               | \$3,128,410            | 0.24%                   | Aa3                                | A+                                 |
| Various borrowers  | Far East National Bank     | \$3,000,000             | \$54,247               | \$3,054,247            | 0.24%                   | Aaa                                | AAA                                |
| Various borrowers  | Coast Commercial Bank      | \$2,300,000             | \$51,419               | \$2,351,419            | 0.18%                   | Aaa <sup>3</sup>                   | AAA <sup>3</sup>                   |
| Various borrowers  | First National Bank        | \$2,303,750             | \$34,083               | \$2,337,833            | 0.18%                   | Aaa <sup>3</sup>                   | AAA <sup>3</sup>                   |
| Various borrowers  | Wachovia Bank, NA          | \$1,300,000             | \$29,063               | \$1,329,063            | 0.10%                   | Aa3                                | A+                                 |
| Various borrowers  | Mellon Bank                | \$690,000               | \$15,426               | \$705,426              | 0.05%                   | Aa3                                | AA-                                |
| Various borrowers  | Mellon 1st Business Bank   | \$420,000               | \$9,390                | \$429,390              | 0.03%                   | A2                                 | A+                                 |
| Various borrowers  | Fleet Bank                 | \$255,000               | \$5,701                | \$260,701              | 0.02%                   | A1                                 | A+                                 |
| <b>TOTAL - INDIRECT RISK &amp; FINANCIAL INSTITUTIONS</b>    |                            | <b>\$937,205,361</b>    | <b>\$36,357,016</b>    | <b>\$973,562,377</b>   | <b>75%</b>              |                                    |                                    |
| <b>TOTAL CREDIT ENHANCEMENT EXPOSURE</b>                     |                            | <b>\$1,247,829,611</b>  | <b>\$48,811,417</b>    | <b>\$1,296,641,028</b> | <b>100%</b>             |                                    |                                    |

*\*\* These are indirect risk transactions. CalSTRS is in a second loss position. CalSTRS is obligated to pay only if the fronting financial institution is unable to.*

<sup>1</sup> \$7 million bank risk

<sup>2</sup> \$14 million treasury/agency-backed securities

<sup>3</sup> Treasury or agency-backed securities